



**United States
Department of
Agriculture**

Food and
Nutrition
Service

Northeast Region

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Date: July 21, 2009

Subject: Unallowable Charges to Non-profit School Food Service
Accounts and the Serving of Meals to Non-paying Full and
Reduced Price Students

To: All State Child Nutrition Program Directors

The frequency of schools allowing full and reduced price students who do not have lunch money to charge a meal has increased significantly in recent months. Often the moneys due from these students are never paid leaving the school food service program with an uncollectable debt.

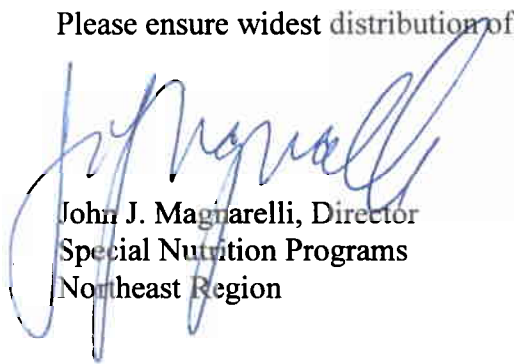
The Office of Management and Budget's Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments", Attachment B, Item 7, Bad Debt covers these situations. This directive states that bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

What this means is that funds from the non-profit school food service account cannot be used to cover the cost of charged meals that have not been paid.

There is also confusion as to whether schools/districts are required to provide meals to non-paying full or reduced price students as well as what elements need to be included in a charging policy. FNS guidance in this area is outdated and we have asked our National Office to issue revised guidance that would answer these questions.

In the interim, schools/districts may opt to provide an alternate meal such as a cheese or peanut butter sandwich at no charge to the student. Since the student is not being offered the required menu items, this type of meal is not reimbursable and the full cost must be borne by the school/district using funds that do not come from the school food service account. Schools/districts may also choose to serve a reimbursable meal to non-paying students so that some funds are received to offset food and labor costs. Schools/district that are providing meals to non-paying students should establish a written policy on what food will be provided to non-paying full or reduced price students as well as their policy on the charging of school meals and make this widely available to parents, guardians, and students.

Please ensure widest distribution of this information.

A handwritten signature in blue ink, appearing to read "J. Magnarelli", is written over a light blue rectangular background.

John J. Magnarelli, Director
Special Nutrition Programs
Northeast Region